

**REPORT OF THE AUDIT OF THE  
CLINTON COUNTY  
SHERIFF'S SETTLEMENT - 2006 TAXES**

**For The Period  
April 16, 2006 Through April 30, 2007**



**CRIT LUALLEN  
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**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**CLINTON COUNTY**  
**SHERIFF'S SETTLEMENT - 2006 TAXES**

**For The Period**  
**April 16, 2006 Through April 30, 2007**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2006 Taxes for the Clinton County Sheriff for the period April 16, 2006 through April 30, 2007. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$2,243,630 for the districts for 2006 taxes, retaining commissions of \$92,658 to operate the Sheriff's office. The Sheriff distributed taxes of \$2,147,595 to the districts for 2006 Taxes. Taxes of \$55 are due to the districts from the Sheriff and refunds of \$107 are due to the Sheriff from the taxing districts.

**Report Comments:**

- The Sheriff's Office Lacks An Adequate Segregation Of Duties
- The Sheriff Should Deposit Funds Intact On A Daily Basis
- The Sheriff Had A Deficit Of \$1,582 In His Tax Account

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Lyle Huff, Clinton County Judge/Executive  
Honorable Ricky Riddle, Clinton County Sheriff  
Members of the Clinton County Fiscal Court

Independent Auditor's Report

We have audited the Clinton County Sheriff's Settlement - 2006 Taxes for the period April 16, 2006 through April 30, 2007. This tax settlement is the responsibility of the Clinton County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Clinton County Sheriff's taxes charged, credited, and paid for the period April 16, 2006 through April 30, 2007, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated December 7, 2007 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Lyle Huff, Clinton County Judge/Executive  
Honorable Ricky Riddle, Clinton County Sheriff  
Members of the Clinton County Fiscal Court

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Sheriff's Office Lacks An Adequate Segregation Of Duties
- The Sheriff Should Deposit Funds Intact On A Daily Basis
- The Sheriff Had A Deficit Of \$1,582 In His Tax Account

The schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated in all material respects in relation to the financial statement taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

December 7, 2007



CLINTON COUNTY  
RICKY RIDDLE, SHERIFF  
SHERIFF'S SETTLEMENT - 2006 TAXES

For The Period April 16, 2006 Through April 30, 2007

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 164,639	\$ 244,647	\$ 1,149,582	\$ 369,715
Tangible Personal Property	18,394	22,710	91,395	96,052
Fire Protection	968			
Increases Through Exonerations	3	5	22	7
Franchise Taxes	19,805	22,526	102,233	
Additional Billings	256	332	1,434	269
Oil and Gas Property Taxes	2,490	3,701	17,389	5,592
Limestone, Sand and Mineral Reserves	63	95	446	144
Penalties	1,884	2,761	12,885	4,522
Adjusted to Sheriff's Receipt	(8)	11	(3)	(1)
Gross Chargeable to Sheriff	208,494	296,788	1,375,383	476,300
<u>Credits</u>				
Exonerations	1,007	1,496	7,030	2,263
Discounts	2,908	4,192	19,360	7,182
Delinquents:				
Real Estate	5,387	7,978	37,489	12,057
Tangible Personal Property	294	363	1,508	878
Total Credits	9,830	14,344	66,781	22,380
Taxes Collected	198,664	282,444	1,308,602	453,920
Less: Commissions *	8,731	12,004	52,344	19,579
Taxes Due	189,933	270,440	1,256,258	434,341
Taxes Paid	189,639	270,009	1,254,200	433,747
Refunds (Current and Prior Year)	292	427	2,043	667
Due Districts or (Refunds Due Sheriff) as of Completion of Audit	\$ 2	\$ 4	\$ 15	\$ (73)

\*and \*\* See Next Page.

The accompanying notes are an integral part of this financial statement.

CLINTON COUNTY  
 RICKY RIDDLE, SHERIFF  
 SHERIFF'S SETTLEMENT - 2006 TAXES  
 For The Period April 16, 2006 Through April 30, 2007  
 (Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	925,028
4% on	\$	1,308,602

\*\* Special Taxing Districts

Library District	\$	36
Health District		(34)
Extension District		1
Soil Conservation District		<u>1</u>

Due Districts or (Refunds Due Sheriff)	\$	<u><u>4</u></u>
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CLINTON COUNTY  
NOTES TO FINANCIAL STATEMENT

April 30, 2007

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue, which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue, which are recognized when there is proper authorization. Taxes paid are uses of revenue, which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

CLINTON COUNTY  
NOTES TO FINANCIAL STATEMENT  
April 30, 2007  
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of April 30, 2007, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2006. Property taxes were billed to finance governmental services for the year ended June 30, 2007. Liens are effective when the tax bills become delinquent. The collection period for these assessments was April 16, 2006 through April 30, 2007.

Note 4. Interest Income

The Clinton County Sheriff earned \$401 as interest income on 2006 taxes. As of December 7, 2007, the Sheriff owed \$224 in interest to the school district and \$175 in interest to his fee account.

Note 5. Sheriff's 10% Add-On Fee

The Clinton County Sheriff collected \$19,046 of 10% add-on fees allowed by KRS 134.430(3). This amount was used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Clinton County Sheriff collected \$1,705 of advertising costs and \$2,480 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). As of December 7, 2007, the Sheriff owed \$1,705 in advertising costs to the county.

CLINTON COUNTY  
RICKY RIDDLE, SHERIFF  
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS

April 30, 2007

Assets

Cash in Bank (All Tax Accounts)		\$	34,046
Deposits in Transit			51,111
Receivables:			
Franchise Payment	\$	1,376	
Redeposited NSF Check		661	
State Commissions Refunded		73	
Interest		29	2,139
Uncollected Receivables			
Reimbursement of Service Charges		16	
Health		34	50
			<hr/>
Total Assets			87,346

Liabilities

Paid Obligations-

Other Taxing Districts-

State	9,611
County	6,514
Fire Acres	8
School	41,120
Library	2,136
Health	2,503
Extension	5,279
Soil	829
NSF Checks	535
Bank Service Charge	8
Bank Error	94
Tax Commissions Due Sheriff's Fee Account	1,366
Refunds Due Taxpayers	384
10% Add-On and Advertising Due Fee Account	16,382

Total Paid Obligations	86,769
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CLINTON COUNTY  
 RICKY RIDDLE, SHERIFF  
 SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS  
 April 30, 2007  
 (Continued)

Unpaid Obligations-	
Other Taxing Districts-	
County	\$ 2
School	15
Library	36
Extension	1
Soil	1
Advertising Fees Due County	1,705
Interest Due Schools	224
Interest Due Sheriff's Fee Account	<u>175</u>
Total Unpaid Obligations	<u>\$ 2,159</u>
Total Liabilities	<u>88,928</u>
Total Fund Deficit as of April 30, 2007*	<u><u>\$ (1,582)</u></u>

\* Personal Funds of \$1,582 were deposited on December 7, 2007 to cover this deficit.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Lyle Huff, Clinton County Judge/Executive  
Honorable Ricky Riddle, Clinton County Sheriff  
Members of the Clinton County Fiscal Court

Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Clinton County Sheriff's Settlement - 2006 Taxes for the period April 16, 2006 through April 30, 2007, and have issued our report thereon dated December 7, 2007. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Clinton County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Clinton County Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clinton County Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting which is a basis of accounting other than generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying comments and recommendations to be a significant deficiency in internal control over financial reporting.

- The Sheriff's Office Lacks An Adequate Segregation Of Duties



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Clinton County Sheriff's Settlement – 2006 Taxes for the period April 16, 2006 through April 30, 2007 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The Sheriff Should Deposit Funds Intact On A Daily Basis
- The Sheriff Had A Deficit Of \$1,582 In His Tax Account

The Clinton County Sheriff's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the Sheriff's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Clinton County Fiscal Court, and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

December 7, 2007

## COMMENTS AND RECOMMENDATIONS



CLINTON COUNTY  
RICKY RIDDLE, SHERIFF  
COMMENTS AND RECOMMENDATIONS

As of For The Period April 16, 2006 Through April 30, 2007

STATE LAWS AND REGULATIONS:

The Sheriff Should Deposit Funds Intact On A Daily Basis

KRS 68.210 states the State Local Finance Officer “shall prescribe and shall install, by July 1, 1985, a system of uniform accounts for all counties and county officials.” The Instructional Guide for County Budget Preparation and State Local Finance Office Policy Manual 109 KAR 15.020 under Handling Public Funds, states a minimum requirement of “daily deposits intact into a federally insured banking institution.” The auditor noted most deposits did not clear the bank within several business days. We recommended the Sheriff deposit these monies into the tax bank account daily.

*Sheriff's Response: None*

The Sheriff Had A Deficit Of \$1,582 In His Tax Account

Based on our audit, the Sheriff had a deficit in his 2006 tax account in the amount of \$1,582. This deficit was the result of undeposited receipts totaling \$1,582. We recommend that the Sheriff deposit personal funds of \$1,582 to eliminate this deficit.

*Sheriff's Response: Error was made and will be paid. Funds have been deposited.*

INTERNAL CONTROL – SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS:

The Sheriff's Office Lacks An Adequate Segregation Of Duties

During our review of internal controls, we found that the Sheriff's office lacks an adequate segregation of duties. The Sheriff's bookkeeper performs all accounting functions of the office.

- The official doesn't deposit all tax monies to his office.
- The mail is opened by a person who has access to receipt records and mail receipt listings.
- The person recording cash receipts is the person who prepares the deposits.
- The list of receipts and duplicate deposit slips are compared to the receipts ledger by a person who receives and records cash, and makes deposits.
- Access to ledgers and monthly bank statements are easily obtained by persons handling cash.
- The person preparing checks is not independent of purchasing and receiving.
- Both authorized signatures on checks are persons having access to cash and accounting records.
- Bank reconciliations are performed by a person who signs checks and records transactions.

We recommend, at a minimum, the following compensating controls be implemented to offset the internal control weakness. At a Minimum, the Sheriff should periodically compare the daily bank deposit to the daily checkout sheet and receipts ledger. The official could document this by

CLINTON COUNTY  
RICKY RIDDLE, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
As of For The Period April 16, 2006 Through April 30, 2007  
(Continued)

INTERNAL CONTROL – SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS:  
(CONTINUED)

The Sheriff's Office Lacks An Adequate Segregation Of Duties (Continued)

initialing the records. The Sheriff could make the deposits of all tax monies personally after review. The Sheriff could periodically compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled and the Sheriff should initial and date the reconciliation when this is performed.

*Sheriff's Response: None*

